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RUEHBU/AMEMBASSY BUENOS AIRES PRIORITY 0015  
RUEHBO/AMEMBASSY BOGOTA PRIORITY 0003  
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SUBJECT: PERNAMBUCO GOVERNOR BELIEVES VENEZUELA WON'T STAY IN

REFINERY PROJECT

REF: 2005 RECIFE 130, RECIFE 166

¶1. (SBU) Summary: In October 2005, Brazil's President Luiz Inacio Lula da Silva announced a joint investment with Venezuela in a \$2.5 billion oil refinery to be built in the Suape port complex of Pernambuco state. Two months later, Lula and Venezuelan President Hugo Chavez laid the cornerstone for the oil refinery. But the new Pernambuco Governor Eduardo Campos, a close ally of Lula, told the Ambassador January 4 that he does not believe Venezuela will participate in the project because the Brazilian oil company Petrobras wants 100 percent control. End Summary

¶2. (SBU) During the Ambassador's first meeting with Pernambuco Governor Eduardo Campos on January 4, the Governor gave his frank views on the state's major development project, the petro-chemical complex being built in the modern port of Suape. Campos told the Ambassador that although the Brazilian and Venezuelan governments want a 50-50 joint venture, the companies (Petrobras and PDVSA) have different ideas. Due to the clash between the companies, Campos said the deal has "come undone." (desfez) He made this surprising statement blandly, with a shrug, indicating it was a fact he accepted. (Recife Principal Officer went back to the Governor's notetaker on January 8, to confirm the Governor's statement that Venezuela was out, and the Governor's chief of staff again affirmed that "it does not matter what happens with Venezuela because Petrobras is going to build the refinery anyway." He did not contradict the governor's private opinion.)

¶3. (U) There have been rumors since last November, when Campos accompanied Lula on a trip to Venezuela shortly after the elections, that Petrobras neither needed nor wanted the Venezuelan state company as a 50-50 partner. In public statements, the partnership is still given as a fact. Meanwhile, the preparatory studies for the refinery are underway, but no official announcements have been made regarding Venezuela's actual participation in the \$2.5 billion dollar project. Chavez influenced the location of the refinery in Pernambuco, which is the home of the Brazilian General Jose Ignacio de Abreu e Lima, who fought with Venezuela's Liberator Simon Bolivar against Spain. (Lula was also born in Pernambuco.) The refinery is to be

named Abreu e Lima. Presidents Lula and Chavez laid the cornerstone on December 15, 2005 (REFTELS).

¶4. (U) Eduardo Campos was sworn in as governor of Pernambuco January 1, after a three-way election race culminating in his victory during the second round. Lula did not take sides during the first round, when his former health minister, Humberto Costa from the Workers Party (PT), ran against Campos, who was Lula's former science minister and the leader of the Brazilian Socialist Party (PSB). Then in the second round, Lula and Campos campaigned together. Campos, 41, is an economist best known locally as the grandson of the late three-time governor Miguel Arraes, an old-left leader who opposed the military government.

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